

**DENHAM SPRINGS/LIVINGSTON HOUSING  
AND MORTGAGE FINANCE AUTHORITY**

**DECEMBER 31, 2001**

**DENHAM SPRINGS, LOUISIANA**

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**Hannis T. Bourgeois, LLP**

**Certified Public Accountants**

Randy J. Bonnecaze, CPA\*  
Joseph D. Richard, Jr., CPA\*  
Ronnie E. Stamper, CPA\*  
Fernand P. Genre, CPA\*  
Stephen M. Huggins, CPA\*  
Monica L. Zumo, CPA\*  
Ronald L. Gagnet, CPA\*  
Douglas J. Nelson, CPA\*  
Celeste D. Viator, CPA\*  
Russell J. Resweber, CPA\*  
Laura E. Monroe, CPA\*  
\*A Professional Accounting Corporation

1175 Del Este Avenue, Suite B  
Denham Springs, LA 70726  
Phone: (225) 665-8297  
Fax: (225) 667-3813

*Members American Institute of  
Certified Public Accountants*

2322 Tremont Drive, Suite 200  
Baton Rouge, LA 70809

May 21, 2002

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Denham Springs/Livingston Housing and  
Mortgage Finance Authority

We have audited the accompanying Individual Programs and Residual Fund Balance Sheets of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of December 31, 2001, and the related Individual Statements of Revenues, Expenses, and Changes in Fund Balances and Cash Flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the individual programs and the residual fund of the Denham Springs/Livingston Housing and Mortgage Finance Authority as of December 31, 2001, and their revenues, expenses and changes in fund balances and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated May 21, 2002 on our consideration of the Authority's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

*Hannis J. Bourgeois, M.P.*

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**INDIVIDUAL AND COMBINED BALANCE SHEETS**

DECEMBER 31, 2001

	<u>1992 Series A</u>	<u>1992 Series B</u>	<u>1992 Series C</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 22,089	\$ 134,416	\$ -
FNMA Securities	1,388,073	1,786,240	-
FHLMC Securities	-	-	-
GNMA Securities	-	-	-
FCMSI Investment	-	-	-
AIG Investment	-	-	-
Mortgage Loans Receivable	-	423,587	-
Due from Other Funds	-	4,000	-
Accrued Interest Receivable	2,830	2,500	-
Deferred Financing Costs - Net of Amortization	27,909	91,599	57,749
Prepaid Expense	-	1,164	-
Due from Escrow	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u>\$ 1,440,901</u>	 <u>\$ 2,443,506</u>	 <u>\$ 57,749</u>
 <b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ -	\$ 316	\$ -
Due to Other Funds	4,000	4,912	-
Accrued Interest Payable	7,191	2,838	-
Bonds Payable - Net	<u>573,602</u>	<u>329,259</u>	<u>2,245,457</u>
Total Liabilities	584,793	337,325	2,245,457
 <b>Fund Balances:</b>			
Reserved for Debt Service	856,108	2,106,181	-
Unreserved - Undesignated (Deficit)	<u>-</u>	<u>-</u>	<u>(2,187,708)</u>
Total Fund Balances - (Deficit)	<u>856,108</u>	<u>2,106,181</u>	<u>(2,187,708)</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,440,901</u>	 <u>\$ 2,443,506</u>	 <u>\$ 57,749</u>

The accompanying notes are an integral part of this statement.

<u>1997 Series</u>	<u>2000 Series</u>	<u>Residual Fund</u>	<u>Totals (Memorandum Only)</u>
\$ 313,949	\$ 230,684	\$ 475,383	\$ 1,176,521
1,067,102	499,201	1,045,590	5,786,206
-	-	520,508	520,508
4,785,080	3,821,365	-	8,606,445
730,827	-	-	730,827
-	1,711,606	-	1,711,606
-	-	2,398	425,985
-	-	234,143	238,143
47,790	25,588	24,038	102,746
203,713	135,020	-	515,990
-	-	-	1,164
-	-	664,301	664,301
<u>\$ 7,148,461</u>	<u>\$ 6,423,464</u>	<u>\$ 2,966,361</u>	<u>\$ 20,480,442</u>
\$ -	\$ -	\$ -	\$ 316
229,231	-	-	238,143
166,558	33,134	-	209,721
<u>6,450,000</u>	<u>6,289,189</u>	<u>-</u>	<u>15,887,507</u>
6,845,789	6,322,323	-	16,335,687
302,672	101,141	-	3,366,102
<u>-</u>	<u>-</u>	<u>2,966,361</u>	<u>778,653</u>
<u>302,672</u>	<u>101,141</u>	<u>2,966,361</u>	<u>4,144,755</u>
<u>\$ 7,148,461</u>	<u>\$ 6,423,464</u>	<u>\$ 2,966,361</u>	<u>\$ 20,480,442</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**INDIVIDUAL AND COMBINED STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>1992 Series A</u>	<u>1992 Series B</u>	<u>1992 Series C</u>
<b>Revenues:</b>			
Interest Earned on Mortgage Loans Receivable	\$ -	\$ 41,489	\$ -
Interest Earned on Other Investments	95,939	120,474	-
Net Realized and Unrealized Gains (Losses) on Investments	<u>(19,943)</u>	<u>(55,958)</u>	<u>-</u>
Total Revenues	75,996	106,005	-
<b>Expenses:</b>			
Interest	50,421	39,071	162,404
Amortization of Deferred Financing Costs	2,081	2,029	4,442
Loan Servicing Fees	-	1,953	-
Insurance	-	863	-
Grant	-	-	-
Administrative Fees	-	9,000	-
Operating Expenses	-	-	-
Professional Fees	<u>-</u>	<u>750</u>	<u>-</u>
Total Expenses	<u>52,502</u>	<u>53,666</u>	<u>166,846</u>
Excess (Deficiency) of Revenues Over Expenses Before Operating Transfers	23,494	52,339	(166,846)
Operating Transfers:			
Transfers In	-	-	-
Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenses	23,494	52,339	(166,846)
<b>Fund Balances (Deficit) - Beginning of Year</b>	<u>832,614</u>	<u>2,053,842</u>	<u>(2,020,862)</u>
<b>Fund Balances (Deficit) - End of Year</b>	<u>\$ 856,108</u>	<u>\$ 2,106,181</u>	<u>\$ (2,187,708)</u>

The accompanying notes are an integral part of this statement.

<u>1997 Series</u>	<u>2000 Series</u>	<u>Residual Fund</u>	<u>Totals (Memorandum Only)</u>
\$ -	\$ -	\$ 31,524	\$ 73,013
455,997	440,838	146,203	1,259,451
<u>122,018</u>	<u>20,893</u>	<u>24,898</u>	<u>91,908</u>
578,015	461,731	202,625	1,424,372
419,366	408,276	-	1,079,538
12,960	4,572	-	26,084
-	-	-	1,953
-	-	-	863
-	-	34,833	34,833
3,327	3,050	-	15,377
-	-	3,036	3,036
<u>550</u>	<u>1,600</u>	<u>8,350</u>	<u>11,250</u>
436,203	417,498	46,219	1,172,934
141,812	44,233	156,406	251,438
-	-	10,076	10,076
<u>(10,076)</u>	<u>-</u>	<u>-</u>	<u>(10,076)</u>
<u>(10,076)</u>	<u>-</u>	<u>10,076</u>	<u>-</u>
131,736	44,233	166,482	251,438
<u>170,936</u>	<u>56,908</u>	<u>2,799,879</u>	<u>3,893,317</u>
\$ 302,672	\$ 101,141	\$ 2,966,361	\$ 4,144,755



**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>1992 Series A</u>	<u>1992 Series B</u>	<u>1992 Series C</u>
<b>Cash Flows From Operating Activities:</b>			
Excess (Deficiency) of Revenues Over Expenses Before Operating Transfers	\$ 23,494	\$ 52,339	\$ (166,846)
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Amortization of Deferred Financing Costs	2,081	2,029	4,442
Amortization of Bond Discount	3,742	14,877	162,404
Accretion on Investments	(57,830)	(112,838)	-
Net Realized and Unrealized (Gains) Losses on Investments	19,943	55,958	-
Changes in Assets and Liabilities:			
(Increase) Decrease in Accrued Interest Receivable	805	1,624	-
(Increase) Decrease in Due from Other Funds	-	-	-
(Increase) Decrease in Other Assets	-	-	-
Increase (Decrease) in Accounts Payable	-	-	-
Increase (Decrease) in Due to Other Funds	-	-	-
Increase (Decrease) in Current Interest Payable	<u>(1,507)</u>	<u>(2,499)</u>	<u>-</u>
Net Cash Provided by (Used in) Operating Activities	(9,272)	11,490	-

(CONTINUED)

<u>1997 Series</u>	<u>2000 Series</u>	<u>Residual Fund</u>	<u>Totals (Memorandum Only)</u>
\$ 141,812	\$ 44,233	\$ 156,406	\$ 251,438
12,960	4,572	-	26,084
9,306	2,013	-	192,342
-	-	-	(170,668)
(122,018)	(20,893)	(24,898)	(91,908)
3,179	(11,597)	2,787	(3,202)
-	-	(5,610)	(5,610)
-	-	(37,560)	(37,560)
-	-	(3,667)	(3,667)
5,610	-	-	5,610
<u>(18,206)</u>	<u>-</u>	<u>-</u>	<u>(22,212)</u>
32,643	18,328	87,458	140,647

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

INDIVIDUAL AND COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>1992 Series A</u>	<u>1992 Series B</u>	<u>1992 Series C</u>
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Maturities, Sales and Paydowns of Investments	128,598	-	-
Purchases of Investments	-	-	-
Principal Collections on Mortgage Loans	<u>-</u>	<u>186,108</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	128,598	186,108	-
<b>Cash Flows from Noncapital Financing Activities:</b>			
Bond Redemptions	(119,748)	(205,003)	-
Operating Transfers In (Out) - Net	-	-	-
Payments of Deferred Financing Costs	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(119,748)</u>	<u>(205,003)</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash     Equivalents</b>	(422)	(7,405)	-
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>22,511</u>	<u>141,821</u>	<u>-</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 22,089</u>	<u>\$ 134,416</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

<u>1997 Series</u>	<u>2000 Series</u>	<u>Residual Fund</u>	<u>Totals (Memorandum Only)</u>
995,842	2,711,184	252,223	4,087,847
(49,302)	(2,344,004)	(1,043,735)	(3,437,041)
<u>-</u>	<u>-</u>	<u>8,611</u>	<u>194,719</u>
946,540	367,180	(782,901)	845,525
(705,000)	(201,423)	-	(1,231,174)
(10,076)	-	10,076	-
<u>-</u>	<u>(7,315)</u>	<u>-</u>	<u>(7,315)</u>
<u>(715,076)</u>	<u>(208,738)</u>	<u>10,076</u>	<u>(1,238,489)</u>
264,107	176,770	(685,367)	(252,317)
<u>49,842</u>	<u>53,914</u>	<u>1,160,750</u>	<u>1,428,838</u>
\$ 313,949	\$ 230,684	\$ 475,383	\$ 1,176,521
<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2001

**(1) Organization of Authority -**

The Denham Springs/Livingston Housing and Mortgage Finance Authority (the "Authority") is a public trust created pursuant to provisions of the Louisiana Revised Statutes of 1950, as amended, by a Trust Indenture dated February 12, 1979. The Authority's primary purpose is to provide means of financing the cost of residential home ownership, development and rehabilitation which will provide decent, safe and sanitary housing for low and moderate income residents of Livingston Parish at prices they can afford, through the Authority's purchase of mortgage loans made to such persons by certain mortgage lenders.

On September 11, 1979, the Authority issued, through underwriters, Single Family Mortgage Revenue Bonds, 1979 Series A, totaling \$35,000,000 to fund the purchase of such mortgage loans. This original issue was governed by a Bond Trust Indenture dated June 1, 1979. On April 1, 1987 the debt was restructured according to the terms of the First Supplemental Trust Indenture. As more fully discussed in Note 7, on June 16, 1992, the Authority issued, through underwriters, 1992 Series A, 1992 Series B, and 1992 Series C Bonds totaling \$25,475,000, for the purpose of advance refunding the balance on the original 1979 Series A Bonds. Each 1992 Series Bond issued is governed by individual indentures dated June 1, 1992.

On February 22, 1995, the Authority issued an additional \$10,000,000 of Single Family Mortgage Revenue Bonds Series 1995. The proceeds of these bonds were to be used to finance the purchase of (A) fully modified, mortgage-backed securities guaranteed by the Governmental National Mortgage Association (GNMA) and backed by pools of FHA-insured mortgage loans or VA-guaranteed mortgage loans and (B) single pool, mortgage-backed securities guaranteed by the Federal National Mortgage Association (FNMA) and backed by pools of conventional mortgage loans. As discussed in the following paragraph these bonds were refunded with the proceeds of the issuance of the Series 1997 Bonds.

On January 15, 1997, the Authority issued \$10,000,000 Single Family Mortgage Revenue Refunding Bonds - Series 1997 to refund the Single Family Mortgage Revenue Bonds - Series 1995. The assets securing the Series 1995 bonds including the 1995 GNMA Securities and the 1995 FNMA Securities were transferred to the Trustee on the date the new bonds were issued. Funds securing the 1995 bonds were then made available to finance the purchase of additional securities backed by mortgage loans made to finance the purchase of single-family residences located in the Parish of Livingston, Louisiana to be owned and occupied by low and moderate income families residing in the parish. The Series 1997 Bonds are governed by a separate indenture dated January 15, 1997.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2001

On June 30, 2000, the Authority issued \$5,010,000 Series 2000A Single Family Mortgage Revenue and Refunding Bonds and \$1,140,000 Series 2000B Single Family Mortgage Revenue Bonds. The Series 2000 Bonds are governed by a separate indenture dated June 1, 2000. \$360,000 of the proceeds of the Series 2000A Bonds were used to refund a like amount of the Series 1997 Bonds. The remaining proceeds of the Series 2000A and all of the proceeds of the Series 2000B will be used to finance the purchase of fully modified mortgage backed securities guaranteed as to timely payment of principal and interest by GNMA and/or Single-pooled, mortgage-backed securities issued and guaranteed by Fannie Mae. In each case the above securities will be backed by pools of qualifying primary residence mortgage loans made by one or more of the participating mortgage lending institutions to qualified persons or families of low and moderate income residing within the stated eligible loan area.

Due to the declining interest rate environment experienced since the issuance of the Series 2000A and 2000B bonds, in June 2001 the Authority exercised a conversion feature included in the original bond indenture. This conversion feature allowed a portion of the bonds to be converted to Series A-1 and Series B-1 bonds which bear interest at a lower rate than the original issue in order for the mortgage loans to be made at the lower prevailing market interest rates. Therefore, under the conversion feature, \$1,305,000 of the Series 2000A bonds were converted to Series 2000A-1 bonds and \$295,000 of Series 2000B bonds were converted to Series 2000B-1 bonds.

The Authority is managed by a Board of Trustees appointed by the City Council of Denham Springs. The Authority's Board of Trustees is empowered under the bond trust indenture and the bond program agreement to contract with outside parties to conduct the day-to-day operations of the Authority and the programs it initiates. The Authority employs Banc One (formerly Premier Corporate Trust) as its Program Administrator to provide administrative staff support for the Board of Trustees and its committees, general office administration for the Authority and program administration and supervision for its mortgage purchase bond program. Under its original single family mortgage purchase bond program, the Authority utilized area financial institutions to originate and service the mortgage loans acquired. In addition, Banc One (formerly Premier Corporate Trust) has been designated as the Trustee of the bond program and has the fiduciary responsibility for the custody and investment of funds.

Although located within the boundaries of the City of Denham Springs, the City does not significantly influence the operations of the Authority nor is the Authority held accountable to the City of Denham Springs for fiscal matters.



**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2001

The bonds issued by the Authority are general obligations of the Authority and are not obligations of the State of Louisiana or any other political subdivision thereof.

Based on criteria outlined in Statement No. 14 of the Governmental Accounting Standards Board the Denham Springs/Livingston Housing and Mortgage Finance Authority is considered a related party to the City of Denham Springs.

**(2) Summary of Significant Reporting and Accounting Policies -**

**Basis of Accounting and Reporting**

The Authority follows the accrual basis of accounting for its Residual Fund and for all funds established by the Bond Trust Indentures. The funds, which are maintained by the Trustee Bank, provide for the accounting for bonds issued, debt service and bond redemption requirements, investments, and related revenues and expenses. These individual funds for each bond program are aggregated in the accompanying individual financial statements.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Total Columns on Combined Statements**

The combined statements include the totals of the similar accounts of each of the Authority's bond programs and the Authority's Residual Fund. Because the assets of the bond programs are restricted by the related bond resolutions and indentures, the totaling of the accounts, including the assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the resolutions and indentures relating to the separate programs.

**Deficit Fund Balance**

The figures listed under the heading "1992 Series C" are the 1992 tax exempt residual revenue capital appreciation bond issue defeasance data and are not comparable to the program operations data appearing in the other columns. The \$2,187,708 deficit shown in the fund balance for the 1992 C Issue is a result of the transfer of bond proceeds to the Residual Fund as called for in the Indenture and the accretion of the 1992 C Capital Appreciation Bonds. The 1992 Series C Bonds are to be paid solely from the remaining assets of the 1992 Series B Bonds upon final maturity of the 1992 Series B Bonds.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

Investments

In accordance with GASB No. 31, investments are recorded at fair value. Fluctuations in the fair value of investments are recorded as gains (losses) in the Statements of Revenues, Expenses and Changes in Fund Balances.

Amortization

Bond issuance costs, including the underwriters' discount on the sale of the bonds and the restructuring expenses, are amortized ratably over the life of the bonds based upon the principal amounts outstanding. Premium and discount on the purchase of U.S. Government securities are amortized over the lives of the securities.

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include certificates of deposit and all highly liquid debt instruments with maturities of three months or less when purchased.

Accounting Development - GASB Statement No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
- Financial statements will be prepared using full accrual accounting for all of the Authority's activities.
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by the Authority no later than the fiscal year ending December 31, 2004.



**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2001

**(3) Mortgage Loans -**

Mortgage loans have a stated interest rate of 8.00% and are collateralized by mortgages on single unit, owner-occupied residences. The loans, which have scheduled maturities of 30 years, are serviced by a designated loan servicer. This loan servicer is responsible for collecting the loan payments from the borrowers and remitting these payments to the Authority's Trustee. The loan servicer is compensated for servicing the loans based upon a percentage of the unpaid balances for the loans outstanding.

The mortgage loans are insured by the Authority under a mortgage servicer performance bonds policy and a special hazard policy.

As part of the defeasance of the 1979 Series A bond issue, the Authority on July 31, 1992, transferred \$13,900,000 (at par value) of the 1979 Mortgage Loans to the holder of the 1992 Series A, Class 2 Bonds in payment thereof. The remaining mortgage loan receivables will be used to satisfy maturing 1992 Series A, 1992 Series B, and 1992 Series C bond principal and interest payments.

**(4) Bonds Payable -**

The outstanding bonds payable consist of the following:

1992 Series A, Single Family Mortgage Revenue Refunding Bonds Maturing Serially Through August 1, 2011, With Interest at 7.50% Payable Monthly	\$ 573,602
1992 Series B, Single Family Mortgage Revenue Refunding Bonds:	
Class B-1 - Maturing Serially Through August 1, 2011, With Interest at 7.25% Payable Monthly	232,570
Class B-2 - Capital Appreciation Bonds Maturing July 10, 2014, Priced to Yield 9.25% at Maturity	300,000
Less: Unamortized Bond Discount	<u>( 203,311)</u>
Net Class B-2	<u>96,689</u>
Total 1992 Series B	329,259
1992 Series C, Residual Revenue Capital Appreciation Bonds Maturing July 10, 2014, Priced to Yield 7.65% at Maturity	5,750,000
Less: Unamortized Bond Discount	<u>(3,504,543)</u>
Total 1992 Series C	2,245,457

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

1997 Series Single Family Mortgage Revenue Refunding Bonds Maturing Serially Through February 1, 2027 with Interest Rate of 6.20% Payable Semiannually	6,450,000
2000 Series A and A-1, Single Family Mortgage Revenue and Refunding Bonds Maturing Serially through September 1, 2032, with Interest at 6.25% to 7.17% Payable Monthly	5,010,000
Add: Unamortized Bond Premium	<u>350,000</u>
	<u>5,360,000</u>
2000 Series B and B-1, Single Family Mortgage Revenue Bonds Maturing Serially Through September 1, 2015, With Interest at 6.85% to 7.45% Payable Monthly	938,576
Less: Unamortized Bond Discount	<u>(9,387)</u>
	<u>929,189</u>
Total 2000 Series	<u>6,289,189</u>
Total Bonds Payable	<u><u>\$15,887,507</u></u>

The 1992 Series A, 1992 Series B-1 Bonds, and Series 2000 A and A-1 and B and B-1 Bonds are structured such that the monthly remittances from the mortgage loans and FNMA investment in mortgage-backed securities will be passed on to bondholders as monthly principal and interest redemptions of bonds payable.

A schedule of Changes in Long-Term Debt for the year 2001 is as follows:

	<u>1992 Series A</u>	<u>1992 Series B</u>	<u>1992 Series C</u>	<u>1997 Series</u>	<u>2000 Series A and B</u>	<u>Totals</u>
Balances at January 1, 2001	\$ 693,350	\$ 525,907	\$ 2,083,053	\$ 7,155,000	\$ 6,488,600	\$ 16,945,910
Additions:						
Valued at Par	-	-	-	-	-	-
Net Premium	-	-	-	-	-	-
Deletions:						
Cash Payments	119,748	205,003	-	705,000	201,423	1,231,174
Accretion of Deep Discount	<u>-</u>	<u>8,355</u>	<u>162,404</u>	<u>-</u>	<u>2,012</u>	<u>172,771</u>
Balances at December 31, 2001	<u>\$ 573,602</u>	<u>\$ 329,259</u>	<u>\$ 2,245,457</u>	<u>\$ 6,450,000</u>	<u>\$ 6,289,189</u>	<u>\$ 15,887,507</u>

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

Scheduled bond principal redemptions for each of the next five years (exclusive of interest) are as follows:

	<u>1992 Series A</u>	<u>1992 Series B</u>	<u>1992 Series C</u>	<u>1997 Series</u>	<u>2000 Series A and B</u>	<u>Totals</u>
2002	\$ 186,977	\$ 4,398	\$ -	\$ 140,000	\$ 175,000	\$ 506,375
2003	202,496	57,214	-	150,000	310,000	719,710
2004	184,129	470,958	-	160,000	375,000	1,190,087
2005	-	-	-	170,000	380,000	550,000
Thereafter	<u>-</u>	<u>-</u>	<u>5,750,000</u>	<u>5,830,000</u>	<u>4,708,576</u>	<u>16,288,576</u>
	573,602	532,570	5,750,000	6,450,000	5,948,576	19,254,748
Add (Less) Unamortized Premium/Discounts	<u>-</u>	<u>(203,311)</u>	<u>(3,504,543)</u>	<u>-</u>	<u>340,613</u>	<u>(3,367,241)</u>
	<u>\$ 573,602</u>	<u>\$ 329,259</u>	<u>\$ 2,245,457</u>	<u>\$ 6,450,000</u>	<u>\$ 6,289,189</u>	<u>\$ 15,887,507</u>

Computation of annual principal redemptions for 1992 Series A, 1992 Series B, and Series 2000 A and B are determined by applying the 0% PSA Prepayment Model. The PSA Prepayment Model was developed by the Public Securities Association and is based on various assumptions. Actual principal redemptions may vary.

**(5) Cash and Investments -**

The Authority's programs maintain deposits at the Trustee bank. The balances of these deposits at December 31, 2001, were entirely insured. The Authority also has funds, classified as "Cash and Cash Equivalents" on the Balance Sheet, which represent interests in money market mutual funds.

The Authority's investments at December 31, 2001 are recorded at market value as summarized below:

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

DECEMBER 31, 2001

	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
FNMA Zero Coupon Securities	\$ 2,105,674	\$ 2,701,688	\$ 596,014
FNMA Mortgaged Backed Securities	<u>3,044,374</u>	<u>3,084,518</u>	<u>40,144</u>
	\$ 5,150,048	\$ 5,786,206	\$ 636,158
	<u>                    </u>	<u>                    </u>	<u>                    </u>
GNMA Mortgage Backed Loan Pool	\$ 8,538,784	\$ 8,606,445	\$ 67,661
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Federal Home Loan Mortgage Backed Securities	\$ 517,156	\$ 520,508	\$ 3,352
	<u>                    </u>	<u>                    </u>	<u>                    </u>
FCMSI Float Fund	\$ 730,827	\$ 730,827	\$ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>
AIG Investment	\$ 1,711,606	\$ 1,711,606	\$ -
	<u>                    </u>	<u>                    </u>	<u>                    </u>

The FNMA mortgaged backed securities are restricted for debt service on the program's bonds and payment of various program expenses. These securities are held by the Trustee bank in the Trustee's name and are pledged to secure the Authority's investments.

The FCMSI Float Fund investments, as authorized by the Series 1997 Bond Indenture, are restricted to pay debt service requirements and provide funds for future GNMA mortgage loan backed pools.

The AIG investments, as authorized by the Series 2000 Bond Indenture, are restricted to provide funds for future mortgage loan backed pools.

Included in the caption "Net Realized and Unrealized Gains (Losses)" on the Individual and Combined Statements of Revenues, Expenses and Changes in Fund Balance are as follows: realized gains of \$-0-, realized losses of \$15,046 and the net change in unrealized gains (losses) at December 31, 2001 as compared to December 31, 2000 of \$106,954.

**DENHAM SPRINGS/LIVINGSTON HOUSING AND  
MORTGAGE FINANCE AUTHORITY**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2001

**(6) Compensation Paid Board Members -**

Richard Waldrep	\$ 50
J.W. Day	50
James Labarre	50
Victor Holland	75
Gerald Hughes	50
Stacy Jones, Chairman	75
Neil Juneau	<u>75</u>
	\$ 425
	<u>=====</u>

**(7) Prior Year's Defeasance of Debt -**

On June 16, 1992, the Authority applied proceeds from sales of investments of the 1979 Series A Bond issue and proceeds from issuance of 1992 Series A and 1992 Series B Bond issues to advance refund the outstanding portion of the 1979 Series A Bonds. The Authority placed sufficient proceeds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the Authority's financial statements. At December 31, 2001, the balance of the defeased portion of the bonds is \$17,910,000.

## SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS





Randy J. Bonneau, CPA\*  
Joseph D. Richard, Jr., CPA\*  
Ronnie E. Stamper, CPA\*  
Fernand P. Genre, CPA\*  
Stephen M. Huggins, CPA\*  
Monica L. Zumo, CPA\*  
Ronald L. Gagnet, CPA\*  
Douglas J. Nelson, CPA\*  
Celeste D. Viator, CPA\*  
Russell J. Resweber, CPA\*  
Laura E. Monroe, CPA\*  
\*A Professional Accounting Corporation

1175 Del Este Avenue, Suite B  
Denham Springs, LA 70726  
Phone: (225) 665-8297  
Fax: (225) 667-3813

*Members American Institute of  
Certified Public Accountants*

2322 Tremont Drive, Suite 200  
Baton Rouge, LA 70809

May 21, 2002

To the Board of Directors  
Denham Springs/Livingston Housing and  
Mortgage Finance Authority

We have audited the financial statements of the Denham Springs/Livingston Housing and Mortgage Finance Authority (the Authority) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not



reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of the Board of Directors, management and the Legislative Auditor and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Denham Springs/ Livingston Housing and Mortgage Finance Authority, is a matter of public record.

Respectfully submitted,

*Hannu L. Bougeois, CPA*